

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Salem Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 13, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.375% to 7.15% and an adjustment to the salary increase assumption.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Section 2: Actuarial Valuation Results

Funding schedule

(1) Fiscal year ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI Liability	(4) Amortization of Remaining Unfunded Liability	(5) Actuarially Determined Contribution (ADC): (2) + (3) + (4)	(6) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percent Increase in ADC Over Prior Year
2021	\$2,912,614	\$283,611	\$12,235,249	\$15,431,474	\$141,619,102	--
2022	3,011,960	295,507	12,980,454	16,287,921	138,330,910	5.55%
2023	3,114,662	288,657	13,788,581	17,191,901	133,996,378	5.55%
2024	3,220,836	301,647	14,623,568	18,146,051	128,493,357	5.55%
2025	3,330,596	315,221	15,507,340	19,153,157	121,688,263	5.55%
2026	3,444,064	329,406	16,442,687	20,216,157	113,435,100	5.55%
2027	3,561,363	344,229	17,432,562	21,338,154	103,574,411	5.55%
2028	3,682,622	359,719	18,480,081	22,522,422	91,932,150	5.55%
2029	3,807,973	375,906	19,588,537	23,772,416	78,318,453	5.55%
2030	3,937,554	392,821	20,761,410	25,091,785	62,526,322	5.55%
2031	4,071,506	410,498	22,002,375	26,484,379	44,330,196	5.55%
2032	4,209,976	428,954	23,055,457	27,694,387	23,484,411	4.57%
2033	4,353,116	0	0	4,353,116	0	-84.28%

Notes:

Fiscal 2021 Actuarially Determined Contribution set to budgeted amount.

Actuarially Determined Contributions are assumed to be paid on July 1.

Item (2) reflects 3.0% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Item (3) reflects level dollar amortization of 2010 ERI and increasing (4.50% per year) amortization of 2002 and 2003 ERI.

Projected normal cost does not reflect the impact of pension reform for future hires.

Projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment gains.